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# THE JOURNAL OF POLITICAL ECONOMY

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## THE CHANGING BASIS OF ECONOMIC RESPONSIBILITY

### I. FORECAST OF THE ARGUMENT

Twenty years ago an economist writing under this title would have been expected to deal chiefly or solely with the responsibility of the individual for his own economic destiny: his responsibility for paying his debts and keeping out of the poor-house. Economic responsibility meant self-reliance and self-dependence.<sup>1</sup> Today any treatment of the subject from such a limited standpoint would be an anachronism. The ideas of obligation which embody the actual relations of man to man in the twentieth century, and answer the needs of the twentieth century, are radically different from the ideas which dominated the nineteenth.

Some have failed to realize what the change means and have resisted it uncomprehendingly. Interdependence means no more to them than it did in the days when free exchange seemed adequate to organize the world, and enlist the far islands of the seas

<sup>1</sup> Cf. Hadley, *Economics*, chap. ii. Cf. also Henry C. Adams, *The Relation of the State to Industrial Action*, pp. 80-85. Here the dominant note is reliance on free competition wherever free competition naturally prevails. Action by the state is urged, (1) to enable the majority in a trade to decide what the plane of their competition shall be, and (2) in the case of natural monopolies. The author announces the theory of responsibility as the keynote of this policy, using the term "responsibility" none too definitely, but in a strongly individualistic sense.

to furnish London breakfast tables. That was one kind of interdependence, marvelously far-reaching and marvelously effective—but not the interdependence that is putting its peculiar stamp on the life of the present generation.

Some have gone to the other extreme and have lost their old sense of personal accountability in an easy philosophy that lays the burdens on the impersonal state, and the blame on heredity and environment. But most of us have not gone so far as that. We do not want a state that shall prohibit all our vices, syndicate all our virtues, and render old-fashioned self-reliance obsolete, if indeed that were remotely possible! Instead, many men are honestly seeking to know what their obligations are in this new era, that they may meet them on their own initiative. More knowledge is wanted, that men may guide themselves. The modern prayer is not so much for strength as for wisdom.

In the economic world this issue is presented more clearly perhaps than anywhere else. We have inherited an economics of irresponsibility. We are in an economy of control with which our intellectual inheritance fits but awkwardly. To make control really tolerable we need something more; something which is still in its infancy. We need an economics of responsibility, developed and embodied in our working business ethics.

## II. THE SWING OF THE PENDULUM

We have gone through a revolution of late in many realms of thought and policy. We have swung far away from narrow individualism toward a sense of solidarity and social-mindedness. In religion the dominant ideal is no longer a narrowly personal salvation granted from above as a reward of personal faith, but rather an attitude of love and service to one's fellows which are in themselves salvation. The old idea of free will is giving way to determinism, individualism to public control, personal responsibility to social responsibility.

This changed attitude shows itself in economic matters in a hundred ways. The common law treated industrial accidents as matters of personal responsibility and attempted to fix a personal blame. The results were intolerable. Something was wrong.

Contrast the attitude of a system of compulsory compensation which blames nobody, and seems almost to take away all responsibility, distributing it between the state and the employer and treating the employer impersonally, as the representative of the industry. This policy expresses a new idea of responsibility.

Not long ago we were almost morbidly afraid to do anything to relieve distress, for fear of undermining people's independence and perpetuating the disease we aimed to cure. If these unfortunates could not quickly be put in a condition of doing for themselves there was danger in doing too much for them. Anything looking toward permanent assistance was a confession of failure in the present and an omen of evil to come. Meanwhile poverty continued to breed poverty. Now free meals for school children are becoming more and more common, the minimum wage in a mild form is being seriously tried out, and we seem to be on the threshold of similar experiments with old-age pensions, mothers' pensions, and insurance against unemployment.

The old-time lumber-gang boss or division superintendent promoted men or discharged them at will. He was responsible to his superior officer for getting results, and to his conscience, if he had one, for the rights and wrongs of his actions. Often he adopted a policy of rewards or punishments that were sudden, unexpected, and intentionally arbitrary, his object being to keep the men in proper awe of what might happen, and to keep them on their good behavior in little things: things so small in themselves that only the momentary impulse of an arbitrary autocrat would take any notice of them. It was every man's own lookout that the blow did not fall on his head. This system could work tolerably well in a young country, so rich in opportunity that most men could "fall on their feet" whatever happened and whenever and wherever they might be cast adrift.

But today the consequences are too serious to be treated thus cavalierly. Compare the situation of the modern official dealing with a strong union. He cannot discharge men without the possibility of having to face a committee of their fellow-laborers who will make him give an account of his actions. A group has assumed responsibility for its members and a new responsibility of an

individual toward the group is being enforced. How shall the group, the union, have brought home to it its own responsibility to the larger group of which it is a part? That is the next chapter of the story, and the end is not yet written.

Unemployment used to be considered largely a matter of personal fitness and willingness to work; now it is spoken of as a disease of our economic system. Criminals and prostitutes used to be regarded quite simply as wicked people. Now they are quite as often looked upon as victims of the social order. In fact this explanation is so much in the air that it has become a habit, an unthinking reaction to anything and everything that goes wrong, and anyone and everyone who goes to pieces. There is little room to question that our habit of overworking this conveniently impersonal scapegoat is closely connected with what Miss Repplier has called our national "loss of nerve." It is all a most disquieting phase of the spread of deterministic ideas among people ready to absorb them one-sidedly.

But it is all part of a movement we cannot escape, with its successes and its failures, its inspiration for the man big enough to catch it, and its enervating effect on those without the vision. It is the product of new situations and new knowledge, and we must use the knowledge to make the best of the situations. We must take what it gives and fight to keep whatever of good it threatens to take away.

It is the product of many things, from psychology to life insurance and from bacteriology to large-scale manufacturing. The bottom facts are, first, that we are becoming interdependent in new and unforeseen ways, and, second, that we are finding out more about the remote causes of things, which we used to take for granted.

Psychology shows us our minds as products of inherited tendencies and the environment to which they react. This makes the living conditions of the slum responsible for the gangster's criminal tendencies and many lesser personal faults and failures. Mortality tables show us occupational environments as killing so many men out of a thousand every year, and statisticians correlate hot weather and suicide, and attempt to correlate crime and heredity.

Indeed, statistics, together with the mass-phenomena they measure, have been the instrument of a surprising deal of altered thinking. When we are looking at John Smith alone, we cannot tell just what he will do in a given situation or what a change in environment will do to him. He is still an independent personality and a law unto himself. But we can tell in advance what such a change will do to a thousand John Smiths. It may kill so and so many, or save so and so many alive, and we become accustomed to the idea that enfeebling environments have made so and so many criminals, and so and so many good-for-nothing idlers, who would otherwise have remained on the safe side of respectability and self-support. The environment has become responsible for John Smith.

But at the same time John Smith has become responsible for the environment. A knowledge of bacteria makes criminal neglect out of what were once matters of purely private concern, and the outcome is to make medicine more and more a matter of maintaining a healthful environment and hence a matter of public prevention rather than of private cure.

Man is ever in the presence of powers too strong for him to cope with, and never knows when they may reach out and take his life. Where the environment that threatens and the powers that kill are the environment and the powers of nature, he worships and watches his priming, learns to sleep lightly, to read footprints, and to know the signs of water. Where the environment is man-made and the powers are those of machinery, he ceases to worship, and he may begin instead to resent, to protest, and ultimately to revolt. Large-scale industry puts the laborer in surroundings, no more dangerous perhaps than the forest or desert which faced the old-time frontiersman, but surroundings which, dangers and all, are the work of human hands and human brains. All these things have given us new ideas of causes and effects, and these have given us new ideas of responsibility. We are finding out that many things are not to be taken for granted as of old, because they are things over which someone can exercise control, and that means they are things for which someone is responsible.

## III. CAUSATION

If we try to trace the causes of anything fully, we are overwhelmed. Everything is a joint result of so many contributing causes that the whole universe may seem to have conspired to make one commuter miss the four-thirty train. So that when we talk about the "reason why," we never mean more than a few out of an infinite series of reasons. How do we go to work to pick out those few?

We are likely to look first at the cause that is closest to the event and gives the most obvious push or offers the most obvious resistance. The teacup broke because the maid dropped it. The workman lost his fingers through a moment of carelessness at his machine plane. The panic was precipitated because of such and such failures.

Of course we shall never get anywhere on any such superficial principle. And yet we cannot go wandering through the mazes of infinity looking for the ultimate and the fundamental. We have a purpose: to shape the world—or our little bit of it—"nearer to the heart's desire." We want to know two things: "Which are the causes that are really important in deciding the exact nature of the outcome?" These are the significant causes. Also, "Which are the causes over which we have some control and before which we do not stand entirely helpless?" These we may call the responsible causes.

The failure of such and such a bank may have precipitated the panic, but the panic would have arrived and run much the same course in any case. Sun-spots may cause crises, or they may be symptoms of something else which causes climatic changes and these may be a cause of crises, and statistics may support this with its most convincing proofs. But these climatic cycles are not the only things that disturb the smooth running of the machinery of production and consumption, and the essential thing seems to be that we have an industrial system in which misfits work cumulatively, regardless of the source from which the original disturbance arises. In a system of private production with enormous use of capital, involving the staking of industrial fortunes on a distant future, any irregularity is intensified in some quarters. An unexpected weak-

ening of demand is felt more keenly by wholesalers than by retailers, since the retailer not only has sold fewer goods, but is allowing his stock to diminish. For the time being he buys even less than he sells. For the same reason the manufacturer feels the slackening of demand more keenly still, and the machine industries and construction industries most of all, since new construction is suspended and even maintenance is likely to be postponed. Those engaged in these industries can buy less, and this may lead to a slackening of demand for many products. Even in active times contractors may be squeezed by a rise in the price of their materials, and their profits turned to losses. Their failures, in turn, embarrass their creditors and may spread a feeling of panic to the whole financial community. The part played by banks in making both expansion and contraction cumulative is too well known to call for comment here.<sup>1</sup>

Compared to these qualities of our industrial organization the exact nature of the one most regular disturbance of production would seem to have little to say in determining the exact nature of the outcome. We should in all probability have panics without sun-spots or climatic cycles, but with a different industrial system sun-spots could come and go without producing anything like the present type of panic. Sun-spots may help us to predict the time of stress, but apart from this they are probably not the most significant cause for our purposes. Moreover, we cannot do anything about sun-spots, while we can change our credit system. Sun-spots are therefore not a responsible cause of panics.

One of the greatest things that the progress of science and industry has done for us is to give us responsible causes of a social and environmental sort. We used to think we could change men more easily than their environment, and we preached thrift, industry, and all the economic virtues, and let the rest stand as "natural laws," unchangeable. Now we are finding that to change the individual we must change his environment, and that preaching is not usually a big enough environmental change to get the desired results. We are coming to take a certain amount of human carelessness for granted and demanding safeguarded machinery and

<sup>1</sup> For a full treatment of these and other causes contributing to crises, the reader is referred to W. C. Mitchell's *Business Cycles*.



shortened hours with a view to securing an environment in which the natural weakness will be guarded against and the limited endurance not overtaxed.

When a man is discharged because he is not worth a living wage and the employer seeks another in his place his personal shortcomings are certainly the cause of his trouble, whatever we may think about the ultimate causes of his inefficiency. But when a railroad or an industrial corporation turns off thousands of men at a time because a cut of a certain per cent is deemed necessary or advisable, how does the case stand? It is still the least competent who go and their incompetence is the cause of their being the ones selected. But it is not absolute incompetence in this case, but relative incompetence: merely the fact that they are at the bottom of the list.

If some are absolutely incompetent, that is an evil to be remedied. But something tells us that no amount of personal effort and no amount of education or hygiene can hope to prevent 10 per cent of the men from being less efficient than the other 90 per cent. In such a case the incompetence of the men may well cease to be the responsible cause in our minds, and instead the industrial situation, under which an industry wants now 10 per cent more men and now 10 per cent less, may come to stand as the thing we try to change, the thing we hold responsible for the evil of unemployment.

Not that personal efficiency does not make a difference, but opinion is unfortunately divided between those who think that the laborer ought to try to solve the problem by improving his efficiency and those who think that this would only make matters worse and that if the men increase their capacity 10 per cent there will be fewer men needed. In this disagreement the economist takes the side of those who emphasize individual self-dependence and would hold the laborers to the duty of making the utmost of whatever capacities they have and whatever situation they may find available.

In this case as in all other cases anyone who thinks that individual responsibility is becoming less because collective responsibility is becoming greater is making a mistake somewhat like that

of the dog in the fable, who dropped his piece of meat to catch the other which he saw reflected in the water. For what is collective responsibility but personal responsibilities reflected in the social mirror? We need all the sense of responsibility we can arouse, of all kinds, organized and directed into the most intelligent and efficient channels, to make even moderately satisfactory headway with the increasingly complex problems that are piling up ahead of us.

The scope of personal responsibility is broader than ever before, not narrower. It is a false notion of the meaning of determinism which interprets it in such a way as to undermine the responsibility of the individual for his own choices. John Smith is still a law unto himself, whatever the statistics may tell us about the thousand. We cannot predict him, for the determining causes of his destiny lie partly in his own personality. The power over his environment of a man who does not know when he is beaten is the last thing we can afford to belittle or ignore. It is only too obvious what a difference it makes whether men who are free to act as they will, choose to act with courage, self-reliance, and generosity or not. The only way the environment can overcome man completely is by persuading him that it can do so.

And laying responsibility on the environment cannot take it off the shoulders of persons so long as the environment of each of us consists chiefly of the rest of us. The responsibility is harder to bring home to the subject, and the duties it imposes are harder to fulfil effectively, for "what is everybody's business is nobody's business." But that simply means that our first obligation is to organize machinery by which these most difficult of obligations can be first effectively brought home and, second, effectively performed. This means, again, that we are facing the difficult task of keeping the sense of obligation alive while delegating to specialists the bulk of the active work involved in meeting our obligations and fulfilling them.

But it is not alone by making us jointly responsible for the general social environment that our personal responsibilities are being broadened. We are coming to see that our everyday business dealings have more far-reaching effects than we have ever

realized, and that the system of free contract is by itself quite inadequate to bring home the responsibility for these effects. We have begun to realize the many inappropriable values that are created and the many unpaid damages that are inflicted in the course of business exchanges. New possibilities at once of parasitism and of service are here revealed, and here at least is a field in which responsibility is being concentrated instead of diffused. Instead of unearned increments which come from a shadowy social environment, and wastes for which an impersonal "system" is responsible, we are making some beginnings at tracing these things home to the policies of particular enterprises and the doings of particular individuals. Unemployment is being traced partly to seasonal trades, as one of their unpaid costs of production.

#### IV. RESPONSIBILITY AND THE LIBERAL ECONOMICS

By comparison with the scope of responsibility as it has been conceived and presented here the laissez-faire economics may well be characterized as the economics of irresponsibility, and the business system of free contract is also a system of irresponsibility when judged by the same standard. Of static theory we must simply say that while it does not deny social responsibilities it does to a large extent ignore them. Since its abstract premises leave out most of the facts on which they are based, they are left to be taken account of in other departments of the science. Liberal economics or business economics in general accomplishes much the same result by separating business sharply off from the rest of life.

"Business is business," and while men are unselfish and recognize many kinds of obligations to their fellows beyond the letter of the law, their unselfishness is not carried into business relations, and the extra-legal responsibilities are not business responsibilities, except such as have become so firmly established in business morals as to have the binding force of laws. In business, men do not render services without being paid such price as they are willing to accept nor undergo sacrifices except for a consideration which they deem sufficient. From this it may be concluded that both parties are better off for every business transaction, at least in their own minds at the moment, than if the transaction had not been made.

With this dangerously inadequate idea of bargaining and contract, and with the equally inadequate idea of business competition as a sort of Darwinian struggle for survival, constantly tending toward the natural selection, of the fit, it is small wonder if the business man is willingly convinced that in the struggle for financial success he is fulfilling the whole duty that society can reasonably impose upon his business hours. In other words, theory and practice combine to further an irresponsible attitude among leaders of industry and laborers alike.

Meanwhile the demand for control has grown with amazing speed, and in every direction experiments are being tried. This should properly be regarded as a recognition of special kinds of responsibility which the business economics leaves out of account and which the machinery of free contract furnishes no way of bringing home to the proper persons. But instead, this regulation is looked on by too many as a phase of the old irresponsible struggle, merely translated from the field of business into the field of politics. It is under suspicion as being mere irresponsible class legislation, and unfortunately the suspicion has some justification.

Hence employers often feel either contemptuous or deeply injured when laws begin to interfere with customary business practices, and when investigating committees ask prying questions which imply a demand for a righteousness that shall exceed the righteousness of the scribes and Pharisees. Business men with this point of view oppose the growth of public control with a resistance that is now adroit and now stubborn but nearly always powerful. The economics of control is at war with the economics of irresponsibility.

Beyond all the special issues of this struggle there stand out certain general questions of attitude and interpretation that are most real and most vital. Are these new policies of regulation to be regarded as exceptions to our general economic philosophy or are they an integral part of it? Are they special and disconnected cases or are they phases of one consistent program whose central features can be formulated? And above all, are they mere matters of political struggle and political compromise; matters to be temporarily settled by a show of hands, or of teeth, and

perpetually unsettled again with every real or fancied change in the strength of the contending parties? Or are they matters of economic law, with a solid foundation in real relationships of cause and effect which no party in the many-sided struggle can permanently ignore? Do our economic regulations mean merely the creation and attempted enforcement of arbitrary requirements or do they mean the recognition and bringing home of existing and very real responsibilities? And, if the answer to this last be in the affirmative, is there a twilight zone of obligations not yet enforced by law or custom but no less real for that? If there is such a twilight zone, how shall we act toward it?

It is good and necessary that new proposals should be first treated as exceptions to economic theory, for they need to be settled on their merits, but it is not good that they should remain permanently unassimilated. It is good and necessary that they be urged by men intensely devoted, each to his special cause, but it is also good ultimately to absorb them all into a broadly constructive plan. It is good when political force breaks down stereotyped codes and precepts masquerading as "natural rights" and natural law, but it is not good to imagine that there are no laws to which men and groups of men are responsible other than the law of getting all they can.

The task of economic theory in these matters is clear, and the importance of this task is often too little realized. There are principles underlying our multifarious social policies—principles as general and far-reaching as those underlying the "theory of value and distribution." In fact, they are all phases of one process, social housekeeping. And until "free exchange" and "social reform" are both interpreted as governed by one consistent set of laws, they are not interpreted correctly. The crucial task of such a theory is to unify, to reveal those causes and consequences of things men do which transcend the scope of free exchange. These create responsibilities which, in turn, the policy of regulation is attempting to enforce. In a broad sense the great task of the theorist of our tremendously dynamic age is to substitute an economics of responsibility for the economics of irresponsible conflict. That is his part in furthering the growth of willing co-operation in the endless

process of adapting our organization and industrial ways to the unforeseen needs and relationships which machinery and science are continually thrusting upon us.

#### V. DIFFICULTIES OF PUBLIC CONTROL

Any system of regulation of private industry needs a well-developed basis of agreement as to what in general the mutual obligations of the parties are, or else the system will not work. For without it confidence is lacking and as a result co-operation is crippled. It is expensive when the people distrust the leaders of industry and are in turn distrusted by them: it is only less expensive than trust misplaced. It is hard enough for those familiar with trade practices to adopt rules for their own observance; it becomes well-nigh impossible when the rules are passed by outsiders, themselves unfamiliar with the details of the situation, who are forced to interpret all advice from the interested parties in the light of those parties' interests and to suspect it of subtly aiming to thwart the ends of public policy. This is not a complete picture of our present situation, fortunately, but it is a true picture of one most exasperating phase of it, showing itself particularly, perhaps, in legislation on banking and on unfair competition.

Another weakness of regulation of private enterprise is, that while it consists largely in forbidding things, it often describes these things in terms of form, not of spirit and essential effect. The result is the widespread feeling that useful ways of doing business are being outlawed because they are capable of abuse.

Attempts to limit speculation and capitalization, for example, are so regarded, with how much or how little justice we need not stop here to inquire. All of this leads to a hostile public opinion on the part of a large and solid class, and against such a solid and sincere opinion laws cannot be profitably enforced. Indeed, regulation would not now be able to show its present record of success unless this hostile opinion had been to some extent convinced and won over to a belief in the need and the justice of control.

This attitude is in itself a clear recognition that the business economics is inadequate and needs revising, at least at certain points. But many fail to see what a far-reaching change of

attitude is involved in this simple admission, though they may feel uneasily that there is a camel's head inside the tent. The conservative expects things to continue on the principle that "business is business," meaning that it is a self-regarding business, and that his only business obligations are those enforced by law and settled custom. They have been added to somewhat, but that is all, and wherever the law has not yet spoken there is no reason for taking any but the old irresponsible attitude. Further responsibilities there may be of a social or charitable sort, but not further business responsibilities.

This view might be more convincing if only every business transaction were a wholly isolated fact, concerning only one buyer and one seller at one moment of time, and having no possible effect on other people or on other transactions. Only if that were true, most of our existing body of business regulations would be wholly unnecessary, so that the question at issue would not be likely to arise at all. But to argue about modern industrial dealings as if they could be so insulated in their effects from all other relationships would seem to imply a certain lack of insight.

After what has been said already, it is only necessary to point out that, thanks largely to modern machinery and the complex organization that goes with it, every act has numberless effects on others, furthering or thwarting their purposes in ways often unknown to them personally, but known to someone nevertheless. These by-products may often be far more important in the aggregate than the one service or the one sacrifice over which a voluntary bargain happens to be struck. And thanks to science, the specialist can find out about these matters on which the man in the street could never by any possibility inform himself. And not only could he not inform himself, but he cannot even understand if he is told. Science has made available for society's use an amount of knowledge of what is happening to its members vastly greater than they can ever absorb individually and use individually in the daily course of looking out for their interests. No one who appreciates this fact can hold that a system of free contract normally protects all interests, and that every free business transaction is automatically self-supporting and productive for society as a whole.

Now we can expect the employer—a specialist—to watch his own business and to know what it is doing, though we could not expect the same man in his rôle of unspecialized consumer to watch with the same effectiveness every producer whose policies affect his welfare. And if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not. Indeed, when they have passed into the statute books they are no longer responsibilities at all in the highest sense: of obligations which the individual must himself decide how to meet. The decision is made for him by government and he has only to obey or take the consequences. But where the law has not spoken, every man must decide on his own initiative.

Now if men are to follow this out in the simplest way, if they are merely to make good as nearly as possible all actual damage they cause, they will find themselves going far indeed before the task is accomplished. The ideal is to pay one's way, not to hurt others without compensation, to get value only for value given, and to leave the world in other respects just as one found it, or at least not to leave it the worse for one's presence.

In other words, it is a static idea of business we are discussing. But it is simply impossible for anyone to leave the world just as he found it, especially if he is one whose decisions have any importance. As Professor Veblen says: "Invention is the mother of necessity" in the most unexpected ways. The necessity for writing these words (if there be any such necessity) is a by-product of the mechanical inventions that gave us the industrial revolution and the subsequent vast "advances" in scientific production and large-scale industry. Every lumberman in the Mississippi Basin is jointly with others a cause of the new flood conditions that are inflicting so much damage and calling for so much expenditure of money and thought to devise methods of prevention. Some few have managed their property so as to avoid increasing the danger of floods; others have contributed to relief funds and studies in flood prevention. But whether they have met the responsibility or not, it is there.



To the extent that each of us is a factor in economic evolution, be it only that his presence adds one member to the population, he shares in all the increasing difficulties which economic evolution brings with it. He cannot do anything so far-reaching as building a house without affecting other people's property interests for better or for worse. Unless he affects them for the better he is pretty sure to affect them for the worse. And unless he leaves society stronger in its power to master the manifold troubles of modern industry he will leave it relatively weaker by just so much as those troubles have grown in size and complexity. Modern industry gives a new meaning to the text, "He that is not with me is against me," and is constantly showing new ways in which, whether we like it or not, we are our brothers' keepers.

In many such matters, such as the policy of lumbermen toward the danger of floods that comes with deforestation, or the employer's attitude toward the unemployment that arises from the seasonal nature of his trade, the responsibility is one which we are not yet ready to crystallize into a legal obligation. Law and custom can at best never keep pace with the needs which they are made to meet, for the simple reason that the need must be there before it can be felt, and it must be felt in a substantial way to be worth making a law about, and felt for a long time and by a considerable number to give rise to a custom. These agencies which prescribe just how a man shall take upon himself the consequences of his acts can never cover more than a few of the more direct and the more obvious. By far the greater number must always remain in a sort of extra-legal borderland.

If they are neglected, the result may be evils which will ultimately call forth legislation of an experimental sort, ill-informed and inept perhaps, and usually not calculated to improve the morale of our attitude toward government. But if these matters are treated as public obligations by those most directly responsible, much of this friction and waste motion can be avoided. The interested parties may ultimately want a law to help control them, for the sake of controlling also the bolters in their own ranks. But it will be a law asked for by the governed, not imposed on them from outside.

We have become accustomed to the idea that nineteen men who want good conditions may be coerced by one competitor whose standard is more unscrupulous. They may actually be unable to do as they wish unless commanded by law. We have not always seen that this is a two-edged doctrine. It has been used to show how far regulation can go without transgressing the principle of industrial freedom and the natural right of the business man to run his enterprise as he sees fit. It has been used by the individualist to set limits on the sphere of government.

But surely the more significant thing about it is the fact that it takes for granted that competitive standards and standards of public good are not one and the same, whether the majority in the trade are awake to that fact or not. And it further takes for granted a widespread sense of responsibility on the part of a majority of business men, not limited to the letter of the law. If this sense of responsibility is to be a guide to legislation, it must go before the law and be independent of it.

This is one great reason why the state cannot afford to assume all responsibility for the outcome of the business system and leave individuals to look after their own interests with a single eye and a clear conscience. Some feel that the state has taken the responsibility, once for all, of a system in which individuals are supposed to look after their own interests and that while there may be abuses it does not fall on the individual to correct them. Moreover, they hold that the state is the only agency that can effectively bear the burdens and perform the tasks of correcting the miscarriages of free contract. Men who are under the compelling force of competition must seek their own interests foremost and all the time or go to the wall. If they try to correct abuses, to follow fairer tactics and leave off using competitive weapons that do damage, the general practice will not be changed, they will simply be forced out of business and their place will be taken by others less scrupulous.

We have seen that the state cannot well do all that this attitude would demand of it. Let us look at the idea further. It is possible that free contract would do more good than harm even in the hands of a wholly selfish and irresponsible population, though

nowadays there is more and more evidence to the contrary. But there can be no doubt that enough harm would be done to offset much of the good, and it is quite possible that the strain of conflicting selfish interests might ultimately rack the system to pieces.

Indeed, this is just what the Socialists think is now happening before our unseeing eyes. What with the unmeasured wastes of competition where it remains active, the exploitation where competition has ceased to act, the parasitism which is so inextricably bound up with the guidance of sound production, and the disintegrating effects of the distrust and hostility that rule between large bodies of the population, roused by the sense that each is reckless of the interests of the others—with all these to combat it often seems that we need all the saving sense of public obligation we can possibly muster, merely to keep the machinery running at all.

It is often raised as a conclusive objection to Socialism that it relies on altruism, while the present system harnesses to our service the more reliable force of self-interest. The fact is that in this respect the contrast between the two systems is a matter of degree only. Socialistic industry would find many ways of enlisting and utilizing selfish motives, and we cannot say how great its demands on altruism would be without more extensive experiments than have yet been tried. But we do know that the present system also calls for a great deal of public spirit to make it run properly, and this fact is daily becoming more prominent, and is driven home afresh by every reading of the morning paper.

Suppose the state does take its chances of the harm which business selfishness can work, and with its eyes open sanctions a system which it knows to be capable of abuse. Does it thereby tacitly approve all abuses, or take for granted that men will commit as many (always inside the law) as they see fit? Does not its very act impliedly make every man responsible for the balance of good or harm that may come from his own efforts?

And as for the argument that private persons cannot do anything effective, there are three reasons why that is not conclusive: First, when we are speaking of human relationships, "impossible" is a relative term, and we may occasionally find ourselves forced to choose between two courses, both of which seemed impossible

till one was forced upon us. Secondly, we have seen enough to realize fully the well-nigh fatal weakness of state action without a strong sense of responsibility in the people at large to make the way as easy as possible. Thirdly, private individuals can act collectively where one alone is helpless and get results which would be impossible for the official machinery of government.

Is it not probable that more could be done to check unfair competitive practices by trade organizations regulating their members and adjusting relations between each other's members than by any number of special laws and court decisions? If only we could trust such bodies to act truly in the public interest, and not merely to eliminate competition for their own benefit or to fortify a wastefully numerous class of middlemen against the competition of more direct and efficient methods!

#### VI. RESPONSIBILITY AS AN ACTUAL FORCE

And this brings us to the final point, which is that business responsibility beyond the law is not an ideal only but to a considerable extent a fact. Business men's associations are the very effective embodiment of it. The retailer and manufacturer take the responsibility for not short-circuiting the wholesaler, and in return the wholesaler does not "poach" on the retailer. This is responsibility to a group, enforced by mutual interests. All that is needed is to make it cover a larger group—to make it general.

The sense of general responsibility is a fact, also, though it is weaker than the tie that binds a class, a trade, or a profession. In proportion as it grows in strength we can rely on it more and more to guide public policy. Perhaps in some future century we may even venture to ask business men's advice on proposed laws for the prevention of unfair competition without the uneasy feeling that their only purpose in giving of their wisdom is to make the laws ineffective and keep things as they are.

With the idea generally accepted that "wealth is a trust" the next order of development is a gradually broadening revelation of how far the trusteeship extends. It most surely extends to the earning of the wealth as well as the spending of it. It extends to a sincere effort to make labor conditions as nearly right as possible

in plants from which one draws dividends, and conditions of competition as fair and free from waste as they can be made.

In fact, one of the most serious objections to the present degree of concentration of wealth is that the largest capitalists are interested in so many industries that they cannot do by any of them what their position demands. They have undertaken, or have had thrust upon them, responsibilities utterly beyond their power to fulfil.

Still more effective in bringing about this result is the corporation, which holds out a standing invitation to every man of considerable means to split his investments with a view to greater safety. Sometimes this is carried so far as to defeat its own end. The eggs are in many baskets and the baskets cannot all be watched. But long before this point is reached the watching is reduced to the bare essentials necessary to knowing if the investment is profitable and safe. And when a man's familiarity with his own money-making enterprises—and every investment comes under this head—when his familiarity dwindles to the irreducible money-making minimum, something has evaporated, and that something is a social interest of incalculable importance. Private fortunes may be safer, but not without cost to the nation. Has the principle of limited liability been carried too far? If a moderate curtailment of that privilege should result in concentrating each man's investments in fewer enterprises, the commonwealth would be the gainer in a very real way.

From the same point of view one of the worst features of the internal organization of corporations is its wonderful aptitude for dividing responsibility, concealing it from outside observers and even from the members themselves, and making it thoroughly ineffective for other than "business" purposes. To an economics of irresponsibility this might appear as an incidental blemish; to an economics of responsibility it is one of the very roots of evil.

Many men would fulfil their responsibilities in a very different spirit if they were put before them in present and tangible shape: for example, if they had to bargain with their laborers directly. But it is an unusual stockholder who will so instruct his paid officials that they shall feel free to lessen dividends if necessary

to make the industry truly a source of gain for the other participants, laborers, and others. And yet they usually have it in their power to make it either a source of gain or a source of net loss to those whom it affects by its operations.

## VII. CONCLUSION

In conclusion: the world is familiar enough with the conception of social responsibilities. These do not need to be rediscovered in the year of our Lord 1916. But the fact that a large part of them are business responsibilities has not yet penetrated, and this fact does need to be brought home to a community in which business men and theoretical economics alike are still shadowed by the fading penumbra of *laissez-faire*. This issue is deeper and more far-reaching than anyone can realize who has not tried earnestly to understand the sources of the deep sense of injustice that animates the discontented classes. The trouble is not that the unfortunate are not helped, but that they are helped in the name of charity, regardless of whether they are victims of their own weakness or of the misfit grindings of our none-too-perfectly-adjusted industrial machine. To many the very word "charity" is as a red rag to a bull, and this will never be otherwise as long as so much that passes for charity is merely repairing the damage or salvaging the wreckage for which industry is the chief responsible cause; the same industry which distributes the dividends out of which charity funds so freely come.

The cry for "justice, not charity" may cover a deal of hysteria and wrong-mindedness, but it also has a solid basis in scientific fact, and the way to quench the hysteria is to investigate sanely just what that solid basis is. Such studies are the task of experts and specialists. All that is here attempted is to show the important place which such work has to fill in our scheme of social management and social interpretation, and to do whatever may be done to hasten by ever so little the growth of a broadened attitude toward the responsibilities of business relationships.

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